

BUSINESS CONDITIONS & FORECASTS

A M A News Letter

AMERICAN MANAGEMENT ASSOCIATION, 330 WEST 42nd ST., NEW YORK, N. Y. SEPTEMBER 26, 1942

The President's Scratch-Pad



ALVIN E. DODD
of course, and that is until we've licked the Axis to a standstill.

"We Play the Fools with Time"

"What time is it?"—How well have we kept to our timetable of things to be done? If all of us, especially those in government and industry, had answered that question honestly in the past, we should be much further advanced on the path of victory than we are today. But now the time is late. It was time months ago to do many of the things that we are only getting around to doing today. Certainly, many of the manpower problems that are proving a drag on our war program were foreseeable months ago. But even now the methods of solving them are being debated endlessly, apparently in the hope that collective measures may be devised by which no group will be hurt too much.

It's time we took a tip from Russia, which would now be but another German vassal state if its leaders had been unwilling to act ruthlessly when such action was required, whether it was to blow up a dam or destroy an oil field or burn a bridge. It's time for us now, figuratively, to burn some bridges and destroy some dams.

Not a few observers have begun to comment that the people's willingness to make vital sacrifices has begun to outstrip that of the government, and an important industrial leader, Ralph Flanders, recently declared before the New England Council: "With our country filled with the spirit of determination and willingness to sacrifice, it is with something more than sorrow that we find a lack of

"How long will the war last?" The question arises inevitably and monotonously at almost every gathering. It is the signal for the parlor strategists to settle back and begin airing their theories. There is only one answer,

the same spirit in the leaders of our government. They do not appear to have been willing to face the necessities which the people know must be faced.

"Problems of rationing, of wage control, of taxation, of the lowering of the draft age, are deferred week after week, waiting until after the election."

The Absenteeism Problem

Reports from companies throughout the country indicate that absenteeism among employees is one of the most difficult personnel problems with which our war industries must contend, and despite vigorous efforts by management to induce employees not to miss days from their jobs and to give advance notice of every absence, absenteeism appears to be growing. And if the seasonal absenteeism curve follows the pattern of previous years, it will rise further in the next few weeks, when the hunting season opens in all parts of the nation.

Companies generally are seeking means of curbing the trend. Readers of this LETTER who have devised ways of meeting the problem are urged to report their experience to the AMA so that other concerns may benefit from it.

A few companies make it a practice to penalize employees who absent themselves without notification by forbidding their return to work for two or three days. The trouble with this system is that the penalty cuts both ways—the company is hurt also and so, incidentally, is the war production program itself. In not a few cases, the worker thus punished seeks employment elsewhere, and in these days readily finds it—the company losing the time it has invested in his training.

How incongruous this seems when we are wondering how to obtain sufficient manpower for the war program! Here is a problem on which the unions could give valuable aid and over which the government also should show concern. Indeed, it is serious enough to be taken into consideration in the framing of any manpower-control legislation.

Alvin E. Dodd

BUSINESS OUTLOOK

The expansion of the national economy continues at an accelerated pace, with the national income reaching an all-time high of over \$10½ billion in July, more than 25% above July, 1941.

The President has come to grips with the giants inflation and scarcity, and upon the ability of Congress, or the President, to effectuate some reasonable stop-gap rests the immediate future of the war effort. If the cost of living and wages can be synchronized, business will show greater confidence.

Our present unlimited supply of credit continues practically untapped. However, threats of increased taxation and rumors of compulsory savings legislation cast shadows upon our thriving industrial economy. The present version of the tax bill calls for \$6,271 million additional revenue, approximately 2½ billion short of Treasury calculations for minimum requirements to pay for one-third of government expenditures during the fiscal year, the rest to be financed by loans.

Bank deposits show a sharp and healthy increase. The stock and bond market and private construction continue dull with the SEC and the Priorities Act keeping speculators under cover.

The Federal Government's authorized expenditures have reached the phenomenal sum of about a quarter of a trillion dollars. Only about \$44 billion has been spent, about 87½% for airplanes, ordnance, construction, munitions and ships.

Boomtime spending has brought money in circulation to \$13,389 million in contrast to \$10,036 million a year ago. Excess reserves have shrunk correspondingly. Bank loans are 4.8% under a year ago, business failures, 15.9% below.

The buying spree continues, at 25% above last year in department stores, with only mail order sales falling off in proportion to consumer goods production.

Production in July was 19% above normal with material scarcity keeping the figure down.

The Manpower Commission's directive freezing labor in western lumber and non-ferrous mining is one of the most drastic evidences to date that business as usual is over for the duration.

BUSINESS CONDITIONS & FORECASTS . . .

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	Alexander Hamilton Institute	Brookmire, Inc.	Business Week
General Outlook	<p>National income in the U. S. rose in July for the fifth consecutive month and reached the highest amount on record, \$10,680 million, 25.7% more than in July, 1941. In June it totaled \$10,287 million, and last October, the previous high, \$10,391 million. Further expansion is expected in August (September 12).</p>	<p>Plus signs continue to predominate on the business and financial indexes, although spottiness is increasing as the war advances. Noteworthy are the growth in bank deposits and the advances in the consumer income indexes (September 16).</p>	<p>The <i>Business Week</i> index of business activity stood at 186.3 the week ended Sept. 12, rising slightly from 186.1 the preceding week. A year ago the figure was 161.2. For the past 20 months the income index has been rising 2.5 points a month, or \$20 billion a year, and it is holding that pace (September 19).</p>
Money and Credit	<p>The index of total loans of reporting member banks for the week ended Sept. 2 at 61.5 was 4.8% under the index a year ago and lowest for 1942. High was 67.8. Business failures for the week ended Sept. 3 declined 15.9% from the year-earlier figure. This index at 27.7 was also 1942's low; high was 60.8 (September 12).</p>	<p>Bank deposits are growing persistently and sharply. Those of reporting member banks at \$27,217 million on Sept. 2 gained 4.1% in the month period and 11.8% in the year. Currency circulation has also been increasing at a phenomenal rate. Monetary gold stock has remained constant over the year period (September 16).</p>	<p>Money in circulation for the latest week for which figures are available totaled \$13,389 million compared with \$13,250 million a week earlier, and \$10,036 million a year ago. Excess reserves of all member banks totaled \$2,350 million for the last week for which figures have been compiled, against \$5,111 million a year earlier (Sept. 19).</p>
Security Markets	<p>The market's course for the past 7 weeks has been so nearly lateral that, after intermediate rallies and declines, averages remain at about the same level as in late July. A rise of 2-3 points would carry it above July highs and a point or more would take it above the minor tops in the decline from those highs (September 15).</p>	<p>Industrials and railroads, which advanced the previous week, have now dipped, but trading volume is still light. Utilities dragged till Tuesday, when some tax news revived them for a time. The averages register these approximate gains from the year's lows: industrials 15%, railroads 14%, utilities 9% (September 16, 9).</p>	<p>Standard and Poor's index of 90 stocks in the latest week computed stood at 68.1. A week before it was 68.6, and a year ago 81.7. The index for industrials was 87.1 this week, against 88.2 last week and 102.3 a year ago. The industrial bond index this week was 109.9, 109.6 a week ago, and 105.1 a year ago (September 19).</p>
Production	<p>The production index rose from 134.3 in June to 139.3 in July. Expansion occurred in all the major fields of economic activity. The volume of manufactured goods produced in July was the largest on record due primarily to expansion in the output of war materiel (September 12).</p>	<p>The machinery index in July was 292 (preliminary), having gained 2.5% over June and 35.2% over July, 1941. The Federal Reserve Board manufacturing index for July registered 189 (preliminary), with a 2.2% gain over June and one of 15.2% over July, 1941 (September 16).</p>	<p>Steel ingot operations were at 97.2% of capacity in the latest week for which figures are available, compared with 96.4% the previous week and 96.1 a year ago. Automobile and truck production in the latest week computed, at 19,605 showed a gain of 2,740 over the previous week but a loss of 33,560 over a year ago (Sept. 19).</p>
Distribution	<p>The value of department store sales in the U. S. increased more than seasonally from July to August. The Federal Reserve Board sales index rose to 128 from 121 in July and from 104 in June, the 1942 low. But sales were 4.7% smaller than in August, 1941. The record figure of 138 was reached in January (September 12).</p>	<p>Mail order sales fell to \$104.1 million in July from \$117.6 million in June, and were 14.1% below July sales a year ago. Department store sales were up 21.7% in August over July but were 4.7% under those of August, 1941. Variety store sales in July made a monthly gain of 5.3% and a yearly gain of 17.3% (September 16).</p>	<p>Department store sales in the latest week for which figures are available were 25% above the same week for 1941. A week earlier a 13% loss was recorded for the comparable period, and a year ago, a 12% gain. Montgomery Ward sales in August were 15.68% under August, 1941. Those for Sears Roebuck were down 26.2% (Sept. 19).</p>
Construction	<p>Building activity in July was larger than in any previous month on record except June. Contracts awarded were 61% larger than in July, 1941, despite restrictions on non-essential building. This means that manufacturing will continue to receive support from the building industry during the rest of 1942 (September 12).</p>	<p>Building permits were off sharply in the latest month for which figures are available (August) —12.9% below the previous month, 55.9% below August, 1941. Building Engineering contracts, however, were up 24.0% in a month, 25.3% in a year, the July <i>Engineering News-Record</i> shows (September 16).</p>	<p>Engineering construction awards according to <i>Engineering News-Record's</i> 4-week daily average totaled \$34,035,000 in the latest week for which figures have been compiled. This was \$1,033,000 less than in the preceding week but \$13,425,000 more than a year ago (September 19).</p>
Agriculture	<p>Farmers in July received higher prices than in any other month since the war started. Prices averaged 23.2% higher than in July, 1941. Quantity marketed increased 11.3% over last year. Farmers' cash income in July rose to the highest level this year, \$1,219 million, a 37.1% gain over July, 1941 (September 12).</p>	<p>Farm income, according to the Department of Agriculture's seasonally adjusted index (1935-39 = 100) for July rose 0.4% over June, 33.5% over July, 1941 (September 16).</p>	<p>The BLS index of domestic farm products was 184.1 in the latest week reported. This was a slight rise from 183.1 the preceding week but substantial in comparison with the index of 165.6 a year ago (September 19).</p>
Commodity Prices	<p>The BLS price index of 28 commodities rose slightly for the third consecutive week in the week ended Sept. 4. It more than regained the ground lost 2 weeks ago but fell short of the wartime peak of 167.9 reached 8 weeks ago. At 167.5, it compared with 166.9 the previous week and with 167.3 three weeks ago (September 12).</p>	<p>Wholesale prices (28 basic commodities, Labor Bureau index, August 1939 = 100) stood at 168.0 for the week ended Sept. 14, a rise of 0.5% in a month, 7.1% in a year (September 16).</p>	<p>Moody's index of spot commodity prices in the latest week for which figures have been compiled was 230.0, compared with 232.0 a week ago and 218.5 a year ago. The one certainty is that some halt will be made in the price spiral (September 19).</p>
Labor and Wages	<p>For the first 7 months farmers' income amounted to \$7,003 million this year, compared with \$4,901 million last year, an increase of 42.9%. Annual cash income in 1942, including government benefit payments, is now estimated at \$14,814 million, compared with last month's estimate of \$14,466 million (September 12).</p>	<p>Latest figures of factory payrolls (July) show a rise of 2.4% over the previous month. The Bureau of Labor's index (1923-25 = 100) stood at 202.4, compared with 152.7 a year ago. The Bureau's index of factory employment rose 1.8% between June and July (September 16).</p>	<p>Steps to stabilize wage rates will moderate the upsurge in the income index, but military payrolls alone will put upwards of \$5 billion in soldiers' and dependents' pockets next year. If workers can be found, they will take more jobs, move into better-paying war industries, work time-and-a-half overtime (September 19).</p>
Foreign Trade and Conditions	<p>In France, Japan and practically all German-occupied countries, the forces of inflation are far advanced. Prices have risen materially and, in spite of government efforts to prevent a further increase, are still rising. Other governments have been more successful in curbing inflation (September 12).</p>	<p>July's exports were about 10% under the April peak. They were 72% above a year ago and reflect the lease-lend stimulus. In foreign exchange the pound has remained stable, but the Canadian dollar at 87.4 on Sept. 14 was 2.6% less than a month ago and 2.2% less than a year ago (September 16).</p>	<p>Berlin now dominates 55% of France's land area, 66% of the cultivated land, 67% of the population, 65% of the industrial workers, 74% of the wheat production, 70% of the normal potato output, 65% of the cows, 55% of the pigs, 70% of the wine production, and 22% of the horses (September 19).</p>

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Dun's Review

Business activity last week for Aug. 12, rising 2.5 points a week. A year ago at this time it was holding constant.

Bank clearings in 23 cities in August decreased 4% from July but the total of \$30,342,363,000 was 11% larger than 1941. Business failures dropped for the fourth successive month to 698 in August from 764 in July; the adjusted insolvency index declined to 42.2, close to the low 1919-1920 level (October).

Interest in securities markets touched the lowest point in many years. Capital floatations in August were smallest for the month since 1934. The New York Stock Exchange saw the dullest August since 1918, while industrial stock prices (Dow-Jones) continued to drift close to the 105 level established in June (October).

Industry continued its steady month-by-month rise although growing labor and material scarcities were a drag on expansion. War production still absorbs more and more of the national capacity, with consumer goods output estimated about one-fifth smaller than 1941 (October).

The upturn in retail activity, stronger than usual, gave evidence of more liberal consumer spending. Gains which had centered in war boom towns spread more widely throughout the country. By September total trade was running moderately ahead of a year ago in contrast to declines noted in earlier months (October).

Heavy industrial and engineering construction maintained building activity at unprecedented levels. At the same time the dearth of residential and commercial building was reflected in a 56% drop in building permits in major cities during August as compared with a year ago (October).

Price changes were small but toward higher levels. The daily wholesale commodity price index in the first half of September continued the slight upward movement noted in July and August; by mid-month the average reached a new wartime high of 159.66, up from 157.26 in August. August retail prices held steady (October).

New monthly highs were recorded for payrolls and employment, cutting unemployment reserves further in August. As skilled labor scarcities became important obstacles to production expansion, the first orders freezing labor movement were issued for western lumber and non-ferrous mining industries (October).

Cleveland Trust Company

Our greatest problem is not training armies or producing munitions. It is rather getting the men and their weapons to the places where the fighting must be done. That problem is primarily one of producing, and effectively using, adequate numbers of naval vessels, cargo transports and cargo planes (September 15).

War appropriations approved and pending early in August amounted to \$223 billion, less than one-fifth of which had been spent. Only about half had even been committed by contracts or letters of intent. About seven-eighths of war expenditures fall in five classes: planes, ordnance, construction, munitions, ships (September 15).

Physical volume of industrial production was a little higher in July than in June according to preliminary figures. Revised figures indicate that in March and April production was 20% above normal, in May and July 19% above and in June 18% above. Preliminary August figures indicate that production increased slightly (September 15).

Of the five groups which account for seven-eighths of the expenditures of the war program, construction, which takes 16%, falls in the middle. The two which take more are planes and ordnance, each with 21%. Miscellaneous munitions account for 15% and ships 13% (September 15).

National City Bank

On the inflation and military fronts, the country is still on the defensive and losing ground. With the government's failure to enact tax legislation that will really mop up purchasing power in lower brackets as effectively as in higher brackets, the price control system is exposed at critical points (September).

Calling for \$6,271 million of additional revenue, the country's largest tax bill falls some \$2½ billion short of Treasury needs and will cover only about one-third of estimated expenditures this year. The debt increase will be about \$54 billion, of which about \$30 billion may have to be financed by the banks (September).

It is difficult to see how the government is contributing to the war effort, or setting an example of single-minded concentration on victory by such actions as the insistence of the SEC in carrying through under wartime conditions and in depressed markets the breakup of utility holding companies (September).

The use of aluminum and magnesium is growing faster than any other metal. Their world production will exceed 2,500,000 tons by 1943, and postwar uses are promising. Demand for automobiles and other equipment and reconstruction should provide a big postwar market for non-ferrous metals (September).

There must be effective control of the raw materials flow and of production "to make certain that the right materials get to the right places at the right time." The challenge of the postwar economic world will be the problem of organization of production and distribution that all may benefit (September).

Much of the difficulty in the production situation goes back to the original planning, on the basis of which unbalanced orders were placed especially for use in construction of plants—too much of some and not enough of others, and often given to people who lacked the "know how" and competent organization (September).

Secretary of Agriculture Wickard's recent statement indicating that farm ceiling prices at 110% of parity are too high, suggests that Washington may be developing a firmer policy toward plugging the holes in the inflation defenses (September).

In recent months the rise in cost of living has been retarded. With increasing wages and farm prices, pressure on price ceilings inevitably increases. That the problems are bound up together was shown by the President's remark that you cannot stabilize wages without stabilizing farm prices and vice versa (September).

New capital goods industries of Canada, Australia, South Africa, Argentina, Brazil and China may be counted on to absorb a part of the increased production of the nonferrous metals. The most spectacular and important shift in commodity production resulting from the war is taking place in rubber (September).

Office Managers' Problems To Be Featured At AMA Conference In Chicago, October 15-16

For the first time in several years the AMA Office Management Conference will be held in Chicago. Techniques of adjusting office operations to wartime problems will be dealt with at the sessions which have been arranged under the direction of W. E. Tarr, General Office Manager of the Studebaker Corporation and AMA Vice President in charge of the Office Management Division. The Conference will be held at the Drake Hotel on October 15 and 16 and will be attended by office managers, controllers, personnel directors and similar executives from the Midwest area especially.

The principal interest of these executives is currently in the personnel field. Sessions will cover such topics as the outlook for clerical workers, worker compensation, training, equipment maintenance, workers' vacations, and time and motion economy. The major sessions will be devoted to: Wartime Organization of the



W. E. TARR

Office, Maintaining Efficiency of Office Operations, The Office Manpower Problem, and Techniques of Personnel Administration.

An important feature of the meeting will be an exhibit showing how ingenuity has solved many office equipment problems. These time-and-money-saving gadgets developed by offices for their own

Reginald Fleming Takes New Post

Reginald Fleming, Insurance Manager, The Commonwealth & Southern Corporation, and Vice President, AMA Insurance Division, has announced that he will join the staff of Marsh & McLennan, Inc. in an executive capacity on October 1.

Although the AMA Insurance Division operates primarily for the benefit of the buyer, in view of Mr. Fleming's lasting contributions to AMA's insurance activities during the past few years, the officers and directors have requested him to continue as Vice President.

use are not available commercially.

W. A. Patterson, President, United Air Lines Transport Corporation, will address a dinner meeting on October 15 on the subject "The Office Executive in the New Era of Management" and Henry E. Niles, Secretary of the Baltimore Life Insurance Company, will be speaker at the luncheon meeting on Friday, October 16 and will discuss the office of 1967.

Among the speakers will be Professor Robert P. Brecht, Industry Department, University of Pennsylvania; Ordway Tead, Director, Business Books, Harper & Brothers; J. C. Staehle, Director of Industrial Relations, Chicago Mail Order Company; H. C. Gretz, Assistant Comptroller, American Telephone & Telegraph Company, New York; F. W. Stein, Vice President, and William E. Bloom, Supervisor of Industrial Engineering, both of the Standard Register Company, Dayton, Ohio; Professor C. L. Jamison, Business Administration Department, University of Michigan; Louise M. Newman, Personnel Manager, The Northwestern Mutual Life Insurance Company, Milwaukee.

Other speakers are Charles R. Riker, Supervisor of Extension Training, Westinghouse Electric & Manufacturing Company, East Pittsburgh, Pa.; Robert N. McMurry, Associate Director, The Psychological Corporation, Chicago; C. E. Jurgensen, Industrial Relations Department, Kimberly-Clark Corporation, Neenah, Wisc. and L. A. Griffin, General Office Manager, Johns-Manville Corporation, New York.

Heads Industrial Marketing



JOHN H. MACLEOD

John H. MacLeod, Vice President of the AMA in charge of the Industrial Marketing Division, has been active in the sales field for 18 years. He has been connected with Hinde and Dauch Company of Sandusky, Ohio, as Vice President in charge of Sales, since September, 1926, following seven years in investment banking business in Cleveland.

Mr. MacLeod served for six years on the Board of Directors of the AMA. He has been a speaker at various Industrial Marketing and Packaging Conferences and is widely known to members in these and other divisions of the Association.

After receiving his A.B. from Harvard College in 1914, Mr. MacLeod secured a job in the Dennison Manufacturing Company factory at Framingham, Mass. The next spring he was transferred to the company's Cleveland office as a salesman.

When the United States entered the World War, Mr. MacLeod enrolled in the First Officers Training School at Fort Benjamin Harrison. When he was discharged from the Army in February, 1919, he was a Major of Infantry.

AMA Production Conference on Nov. 10-11 To Give Help On Wide Variety of Problems

Council planning meetings for the AMA Production Conference to be held at the Hotel New Yorker, New York City, on November 10-11 have been held in recent weeks by L. C. Morrow, Vice President in charge of AMA's Production Division and editor of *Factory Management and Maintenance*.

Questionnaires sent to members of the Production Division brought one of the largest returns in the history of the Division, indicating intense interest on the part of the membership in finding solutions to certain specific production problems. Among the topics that will get major consideration at the sessions are:

hiring and training women, finding and training supervisors, wage rates for women, combatting absenteeism, training and upgrading workers, union-management cooperation to increase productive efficiency, simplifying paper-work in production control, successful worker suggestion systems, Negro workers in the plant, working conditions for women workers, scheduling machines for maximum use, breaking production bottlenecks, machine maintenance program for the 168-hour-a-week plant, case studies in solving impossible production problems and scheduling operations for uniform output.

